

## Formalising women entrepreneurs in the informal economy of Kathmandu, Nepal: pathway towards empowerment?

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**Formalising women entrepreneurs in the informal economy of Kathmandu, Nepal –  
Pathway towards empowerment?**

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## **Abstract**

*Purpose* – Women’s economic empowerment through entrepreneurship is increasingly being recognised as significant to achieving the Sustainable Development Goals (SDGs). However, women entrepreneurship in developing countries is characterised by an overrepresentation in the informal economy and exposure to high levels of gender disparities. The aim of this paper is to explore whether formalization of women’s entrepreneurial activities in the informal economy supports SDGs through ensuring empowerment and equality.

*Design/Methodology/Approach* – The research adopts a qualitative research design to explore the empowerment outcomes of the formalization of women’s entrepreneurial activities in the informal economy of Kathmandu, Nepal. Data were collected through interviews with 30 women entrepreneurs engaged in a mix of formal and informal entrepreneurial activities.

*Findings* – By using Mayoux’s (1998) framework of empowerment at the individual, household and community level, the findings show the variation in empowerment outcomes as a result of women’s diverse motivations for engaging in entrepreneurship. Whilst informal entrepreneurial activities improve women’s confidence and life aspirations, they have limited potential in lifting women out of poverty and enable them to significantly challenge gender relations in the society. Formalization does further empower women at the household and community level but this is primarily the case of younger and more educated women.

*Originality/value* – The research contributes to the debates on entrepreneurship as ‘emancipation’ and more specifically, on whether formalization contributes to the SDGs by furthering gender equality and empowerment. Formalization policies need to acknowledge the heterogeneity of women entrepreneurs.

**Keywords** – Informal economy, formalization, women entrepreneurship, empowerment, Nepal

Paper Type - Research paper

## Introduction

Achieving gender equality and empowering all women and girls is one of the challenges of the Sustainable Development Goals (SDGs). Progress is continuously being reported in relation to the increased educational levels of women, their global labour force participation, as well as their increased participation in leadership positions (Kelly et al., 2015). One inherent assumption in achieving gender equality is the idea that women's economic participation leads to empowerment and eventually economic growth and social development (Kabeer, 2005). Not surprisingly, encouraging women entrepreneurship has been key to these debates as entrepreneurship is an important source of economic development and poverty reduction (Bruton et al., 2013). As crucially, women reinvest a higher percentage of their earnings on household well-being (e.g. education, nutrition and care for children) than men (Nichter and Goldmark, 2009), producing positive ripple effects on the next generations and wider communities (ILO, 2016). Increased income is also seen to support women in renegotiating their social relations at home, through gained independence and increased power in household decision-making (Kabeer, 2005; Xheneti et al., 2018).

However, despite women's increased participation in entrepreneurship, the persistent gender gaps in many developing countries (ILO, 2014) have led to women's entrepreneurial activities being overrepresented in the informal economy, together with the risks and vulnerabilities it involves (Chant and Pedwell, 2008; Ramani et al., 2013). The informal economy perpetuates gender norms through constraining women's activities mainly to the home location or low-skilled and saturated sectors with implications on their welfare and business affecting in turn their empowerment through entrepreneurship (UN HLP, 2016). Recent policies, therefore, have focused on formalizing the informal economy as a way towards achieving greater equality, improved well-being and eventually empowerment in the long run (ILO, 2009). However, not only do these policies focus on normative values about women's agency through their emphasis on resources and income generation, ignoring gender constraints and socio-cultural expectations (Chant and Pedwell, 2008), but they also lack empirical evidence on the feasibility of formalizing the informal economy and its impact on women's empowerment (Chen, 2007; Ramani et al., 2013; Xheneti et al., 2017).

Therefore, the aim of this paper is to explore whether formalization of women's entrepreneurial activities in the informal economy supports SDGs through supporting empowerment and

equality. The empirical focus of the study is Nepal, a country with a large informal sector as a result of years of conflict and institutional instability that significantly affected the development of private enterprise (Sharma and Donini, 2012; Menon and Rodgers, 2015). Nepal has the highest female labour participation rate (80%) in the informal economy in South Asia (ILO Nepal, 2014), despite being a highly-stratified society with unequal power relations and socially prescribed roles, behaviour and expectations for men and women (ILO, 2005). The findings are based on 30 interviews conducted in Kathmandu, the capital of Nepal.

By exploring the possibilities for empowerment at the individual, household and community level (Mayoux, 1998), the paper shows the variation in empowerment outcomes between those women whose primary focus is on sustaining livelihoods and those who get engaged in informal entrepreneurial activities for other reasons. Whilst informal entrepreneurial activities improve women's confidence and life aspirations, they have limited potential in lifting women out of poverty and enable them to significantly challenge gender relations in the society. Formalization does further empower women through allowing for 'spillages' from the individual to the household and community level but this is primarily the case of younger and more educated women. The paper contributes to the debates on the need for policy approaches to be more sensitive to the diversity of motives women have for engaging in informal entrepreneurship, as well as to the wider institutional context in order for entrepreneurship to be 'emancipatory' and for formalization to act as a pathway to empowerment.

The paper is structured as follows. The first section reviews the literature on women empowerment, followed by the empowerment affordances of women entrepreneurship in the informal economy. This is followed by a discussion of the research context and methodology of the study, and the reporting and discussion of empirical findings on empowerment and formalization of informal activities. The final section concludes with some research and policy implications on formalization of the informal economy as a pathway towards achieving the SDGs.

### **Women empowerment and entrepreneurship**

Empowerment, a very popular concept in several disciplines, in simple terms is the ability to make choices (Kabeer, 1999; 2005). Despite differences in empowerment definitions across

diverse bodies of literature (see for example, Malhotra and Schuler, 2005), the consensus is that empowerment involves self-initiating change (Mayoux, 1998; Kabeer, 2005) and it is a process rather than a goal (Kabeer, 2005). Empowerment is a process of internal change through which individuals lacking power to make choices gain the ability to do so and become self-aware in terms of ‘the meaning, motivation and purpose’ of their actions (Kabeer, 1999: 435; Torri and Martinez, 2014). As such, it is primarily concerned with people lacking power, due to their specific social and structural position and how they acquire it ‘to become’ and to influence their life circumstances (Batliwala, 1994). Unsurprisingly, women have predominantly been the focus of empowerment debates given the social and gender inequalities in many patriarchal contexts (Kabeer, 2005; Al-Dajani and Marlow, 2013) and the socio-cultural constraints on women’s strategic life choices, including working, education, marriage, having children and freedom of movement (Mehra, 1997).

At the cornerstone of understanding women’s ability to make choices are three interrelated elements - resources, agency and achievements – that clearly point out that social norms and rules affect the differential access to resources as well as individual’s agency (Kabeer, 1999). Empowerment, thus, is highly contextual involving women’s ability to voice their concerns and interests free from the influence of formal rules and social institutions and beyond the household context (see also, Haghighat, 2014). Empowerment processes are underpinned by the life circumstances of women, including educational or work backgrounds, and household-related arrangements such as marriage, children, living arrangements and household wealth, which shape opportunities and choices women make (Mahmud et al., 2012). Income generating activities, while not sufficient for empowerment, through improving access to resources enable women to achieve a number of economic and non-economic outcomes (Kabeer, 1999; Kantor, 2003).

Empowerment is also multidimensional, involving individual change in relation to increased will and capacity across economic, socio-cultural, familial/interpersonal, legal, political, and psychological dimensions (Malhotra and Schuler, 2005; Samman and Santos, 2009). It is also relational and occurs at different levels as Mayoux’s (1998) framework exemplifies in its conceptualisation of agency, power and change at three levels. At the individual level, empowerment is related to *power within* as an increased will for change, through an increase in confidence, assertiveness, aspirations and autonomy; and *power to* as an increased capacity

for change through access to income, assets, skills, and mobility. At the household level, empowerment is related to the *power over* the obstacles that women face in relation to control over income and household decision-making. At the community level, empowerment is associated with *power with* as an increased solidarity with other women through networks, joint actions or movements in support of women, or as acting as role-models for other women.

Within the debates on women empowerment, entrepreneurship with its inherent emphasis on individual agency, increased income and wealth, as well as recognition and improved status (Minniti et al., 2006) has been particularly appealing. Entrepreneurship is seen to offer ‘emancipatory’ opportunities beyond wealth creation (Rindova et al., 2009) to include poverty reduction, the possibility to cater for families and children and increased confidence and independence that can help women challenge gender roles in the society (Al-Dajani and Marlow, 2013). However, the empirical evidence to date to support the claims about ‘emancipation’ through entrepreneurship is only limited and fails to critically account for the persistent socio-cultural factors in specific contexts that affect both the nature of choices women are able to make and the resources from their activities they are able to control (Kantor, 2003; Kabeer, 2005; Mahmud et al., 2012; UN HLP, 2016). The romanticised notions of ‘development through enterprise’ have been criticised for raising women’s (and others’) expectations about improved economic conditions. As Chant (2014), for example, suggests, aiming to empower women through economic participation does little to change their status in the society.

In fact, idealised notions of entrepreneurship have been criticised for being gendered as masculine, with women often defined in terms of their domestic roles (Ahl and Nelson, 2010). These tensions pose challenges for women globally, but it is also recognised that women in developing contexts do not negotiate these tensions from a position of choice and assumptions about gender equality in the society common in the West (Al-Dajani and Marlow, 2010; Xheneti et al., 2018). Taken together these studies suggest that in understanding empowerment through entrepreneurship it is important to consider the intersection of institutional and socio-spatial contexts and women’s particular life circumstances that affect the nature and scope of their entrepreneurial activities. In the next section, the possibilities of informal entrepreneurial spaces to women’s empowerment is explored.

### **Formalization of women's entrepreneurial activities in the informal economy**

Women's entrepreneurial activities in the informal economy are characterised as small scale, and clustered in niche and 'saturated' sectors, less efficient in terms of productivity and less profitable (Bardasi et al., 2011). Whilst the informal economy is prevalent in developing countries (at 40% of GDP) (ILO, 2014), women, like other vulnerable and marginalised groups in the society are over-represented in informal entrepreneurial activities (Minniti et al., 2006; Williams and Gurtoo, 2011). Informal entrepreneurship is broadly defined as 'starting up and/or owning and managing a business venture which does not register with and/or declare some or all of its production and/or sales to the authorities for tax, benefit, and/or labour law purposes when it should do so' (Williams et al., 2017). Women's activities are considered to be primarily driven by the need to sustain livelihoods in light of poor economic and financial circumstances (Ntseane, 2004; Harriss-White, 2017). The informal economy also represents 'risky entrepreneurial spaces' for women because of its unregulated and chaotic nature with vulnerabilities pertaining to location of businesses, exposure to petty crime and harassment (Adhikari, 2011), creating thus, further barriers to women (Ogando et al., 2017).

Integrating informal women entrepreneurs into the formal economy through formalization policies has been often predicated not only on the basis of the visibility and recognition afforded by the formal economy (ILO, 2009; Williams and Kedir, 2017) but as importantly, on the reduction of women's vulnerability and barriers to business expansion. These, in turn, are expected to contribute to economic development (La Porta and Shleifer, 2008) and equality, welfare and empowerment (ILO, 2009). Despite a long history of formalization policies in the developing countries (Sepulveda and Syrett, 2007), the feasibility of formalizing the informal economy (Chen, 2007) and the benefits of formalization for business sustainability are yet not known (Ramani et al., 2013). As most of the literature on formalization generally focuses on strengthening formal mechanisms and structures that encourage formalization (ILO, 2009), the contextual and nuanced nature of the informal sector in terms of its appeal, its inter-linkages with the formal sector as well as its constraints to formalization is often overlooked (Al-Dajani and Marlow, 2013; Harriss-White, 2017; Danielsson, 2016).

It is acknowledged that women involved in entrepreneurial activities in the informal economy, like other informal workers (Morris, 2011) are a heterogeneous group, engaged in diverse economic activities, which produce different welfare outcomes. Their life course and family



trajectories (Langevang et al., 2012) as well as social cultural norms shape beliefs about gender roles and expectations determining their choices in relation to entrepreneurial activities (De Vita et al., 2014; Babbitt et al., 2015). While informality may be a rational choice in the face of the costs or complex processes associated with operating informally, social and family pressures and expectations including norms about women's availability in their roles as mothers and carers and not as successful business women play a more important role in their formalizations decisions.

The evidence suggests that the informal economy often provides very constrained and gendered choices which are not just unlikely to result in formalization but more likely to reproduce inequality (Xheneti et al., 2017). On the one hand, the informal economy is a space that provides opportunities for income generation as the barriers to entry in terms of skills, experience, and capital are low. It also helps women connect with others and share their skills and abilities, facilitating communal empowerment (Al-Dajani and Marlow, 2013). However, in reality, given women's predominant use of skills acquired from their domestic labour (e.g. cleaning, sewing and caring) it also traps women in sectors that are overcrowded and unproductive, leading to insufficient income to make a difference to their lives. Thus, it is important to understand what groups of women get empowered (if at all) in the informal economy as a result of engaging in economic activities (Chant and Pedwell, 2008) and whether formalization will contribute to empowerment of women entrepreneurs in the informal economy. These issues are explored in the case of Nepal.

## **Methodology**

### *Context of the study*

Nepal is an interesting case for understanding the links between formalization of women's informal entrepreneurial activities and empowerment. Nepal has undergone a long process of social, economic and political changes as a result of the ten-year long Maoist conflict from 1996 – 2000 and the subsequent political upheavals to establish democracy. The business environment, as a result, has been heavily affected by political instability, rural migration, lack of access to finance and a heavily damaged infrastructure (Afram and Del Pero, 2012), all contributing to the emergence of new forms of livelihoods in the informal sector (Sharma and

Donini, 2012). Nepal has a very large informal sector, with 70% of its economically active population employed in the informal economy. Whilst it presents fundamental labour market challenges for economic growth (ILO Nepal, 2014), the informal sector also acts as a vehicle of social mobility by providing goods and services to the socially excluded and marginalised (Timilsina, 2011).

Women, in particular, participate in large numbers in the informal economy (77.5%) due to their lower levels of education and lack of capital (NLFS, 2008). In addition, the political instability, lack of formal jobs and men's economic migration have led to many women entering the private sector to support their families (Bushell, 2008; Menon and Rodgers, 2015). Yet, they face various social, cultural, legal, and infrastructural barriers in every stage of business operation (Bushell, 2008). Integrating these informal women entrepreneurs into the formal economy is seen as a pathway to achieving the SDGs (ILO Nepal, 2014). The Enterprise Act of Nepal states that for businesses to run legally, they should be registered at least with one governmental authority, either central government departments, i.e. the Department of Cottage and Small Industries (DCSI), or the Department of Industries (DOI) depending on the size of the investment, or local government, i.e. VDCs or municipalities (ILO, 2005). The recent years, as a result, have seen the formalization of the informal economy being actively pursued by the government of Nepal and fully supported by international organisations such as the International Labour Organisation. Part of wider programmes in South Asia, these policies have actively targeted women entrepreneurs to register, by providing guidance with the registration process and by supporting them with the costs of registration (ILO, 2014).

### *Sampling and data collection*

The data was collected using qualitative methods and forms part of a project concerned with women's transitions to the formal economy in three different cities in Nepal. Given the exploratory nature of the study and the complexity involved in understanding the phenomenon of women entrepreneurship, a qualitative approach was considered to be best suited (De Vita et al., 2014). The empirical results for this paper are based on semi-structured interviews conducted with 30 women entrepreneurs in Kathmandu. Kathmandu is the capital city of Nepal and one of the main destinations for internal migration, particularly rural-urban migration. Migrant families move away from rural to urban areas to ensure better livelihoods, the quality of their children's education and improved living standards (Sijapati and Limbu, 2012).

Kathmandu is a good study site to explore issues of formalization and empowerment, not only because of the diversity of economic activities it represents (Adhikari, 2011) but also because institutional structures and policies are more developed in capital cities. These would provide more scope for formalization policies to have an effect on empowerment in Kathmandu compared to other cities.

A stratified sampling strategy was used for the selection of women entrepreneurs on the basis of locations with distinctive characteristics within each city (town-centre, peri-urban area, newly developed area, travel junction and residential area). In each of these locations, five different sectors of activity (trade, services, food, handicrafts and production) representing dominance of informal sectors were included for sampling. This was in line with the classification of the National Labour Force Survey of Nepal and was discussed with ILO experts, academics and government personnel with experience of working with micro-enterprises. Based on these classifications, a random sample of women was selected. As part of the sampling strategy a number of women who had already formalized their business activities are also included. This allowed for capturing the diversity of women's life circumstances, experiences and motivations to engage in entrepreneurial activities.

The interview questions included motivations to engage in entrepreneurial activities, the socio-cultural and institutional factors that affected their choices in the informal economy, the wider contribution of their activity to other household members and the wider community, and their future aspirations (including formalization) associated with current entrepreneurial activity. Initial contact at women's premises allowed for rapport to be built by discussing the project aims, the purpose of the interview and confidentiality of the information. Once they agreed to take part in the interview a suitable time and day was agreed to conduct the interviews. Interviews were conducted during December 2014 – March 2015 in Nepalese, recorded, and subsequently translated into English and entered in NVIVO for data analysis purposes. The semi-structured interviews lasted between 30 to 100 minutes.

### *Data analysis*

Interviews were analysed thematically and involved several iterative processes. The interview data was interrogated on two main issues: i) motivations to engage in entrepreneurial activities, and ii) formalization and empowerment outcomes. Given that empowerment is a process, it can

only be measured indirectly using indicators, such as education, and employment, that enable women to utilise these resources to exercise their agency (Mahmud et al., 2012). As access to education and employment do not mean that women will exercise their agency, indicators such as participation in household decision-making, economic independence, and mobility freedom, are frequently used to measure agency. Going further, Kabeer (1999), argues that agency can also take different forms such as motivations and intentions that are easier to understand. Therefore, in order to understand empowerment, we analysed questions in relation to: women's motivations to engage in entrepreneurial activities, their business satisfaction, in the role the business played in fulfilling their current and future aspirations and negotiating household dynamics. Mayoux's (1998) framework for analysing women's empowerment at the individual, household and community level was used to systematise our analysis. Further analysis aimed at identifying how women's particular life circumstances (age, education, marital status, skills, business age and experience) affect the experience of empowerment as well as to understand how (and whether) formalization was perceived to enhance the empowerment outcomes.

## **Findings**

### *Participants characteristics*

The majority of women in the sample are married, in the age group of 31 -40 years old, educated at the secondary level and migrants to Kathmandu (Table 1), reflecting the urbanisation processes undergoing many developing countries (ILO, 2014). In terms of their entrepreneurial activities, most women are in the service sector and have been operating for over ten years. Most of the participants are single founders with the exception of two who have set up their venture forming partnerships with either a family member or a friend.

(Table 1 here)

### *Motivations to engage in entrepreneurial activities and empowerment*

Women's involvement in informal entrepreneurial activities has been often considered as a survival strategy (Williams and Gurtoo, 2011; Ogando et al., 2017). Not surprisingly, most women mentioned the need to earn a living as crucial to their involvement in the informal

economy. The findings also illustrate a multitude of motivations and as importantly, their close association between motivations and life circumstances (see also Langevang et al., 2012). Women talked about a number of different motivations driving them to the informal economy, including avoiding idleness, desire for independence and lack of alternatives (Table 2). Out of the 30 participants in the sample, 13 mentioned a combination of factors as motivations to engage in entrepreneurial activities. As women's motivations for engaging in informal entrepreneurial activities reflected their different life circumstances, they also led to women expressing different views in relation to what the economic and non-economic outcomes of their involvement were with implications for how we can understand empowerment amongst women in the informal economy.

(Table 2 Here)

Women showed resourcefulness in their use of existing skills and/or acquiring new skills in order to recognise entrepreneurial opportunities for income generation (Al-Dajani et al., 2016). Not surprisingly, however, the range of skills utilised or developed by women reflected feminine skills such as sewing, knitting, hairdressing that women were either exposed to from an early age or socialised to think these are good skills to learn in order to make a living. This created a tension between women's desire to earn an independent income from their husbands or supporting their livelihoods and being able to challenge societal views about what entrepreneurial activities are more suitable for women. Reshma illustrates this complexity very clearly in her account. She is a typical migrant informal worker, being unable to enter the formal labour market due to lack of education but needing to support the livelihood of her family following migration to the big city from a rural area. Having been exposed to other women operating beauty parlours and concluding it is a 'safe' space for women away from interaction with men, she decided to open one herself. As she accounts:

I had my heart in this business and I had friends in this line of business. In other businesses, for instance, like restaurants, different varieties of people both bad and good come to use the service so one has to deal with different types of behaviour. This sector is easy and is considered prestigious as the service is mostly used by premium customers. Moreover, it is wholly women focused, run by women and used by women.

The choice of these low-threshold sectors with low requirements in terms of skills, investments and assets (Tipple, 2005; Chen, 2007) did not reflect only lack of education and skills by women. For many participants, family influenced their sectoral choices, and in more extreme cases forbid them from partaking in certain types of entrepreneurial activities, which did not comply with the expectations about women's role in the society. Ashma, who is educated to higher secondary level states that she started her parlour business because it was the only choice of business her brother would allow her to be involved in. These quotes clearly show that while women use their agency to engage in entrepreneurial activities in order to be something or earn an independent income, their decisions were within the boundaries of what is acceptable and allowed in relation to male figure in the household, either married or unmarried.

For many women (20 out of 30 interviewed), their engagement in entrepreneurial activities was primarily motivated by the need to improve the economic conditions of their households. These included providing for the family and children in material terms but also through access to education or a future livelihood for those families that had based their economic existence around the business. Sita explained that she moved to Kathmandu for her children's education as schools in her local village were damaged during the Maoist conflict. The family took advantage of her husband's earned income from immigration to move to the city and invest in a grocery store business that would offer them the opportunity to generate income and provide for their children's education.

Similarly, Kiran decided to move to the city to educate her children but also to prove to herself and her family that she was able to earn her own living. Kiran's case reflects a number of family dynamics in patriarchal and hierarchical societies such as Nepal whereby, the family-in-law is responsible for many decisions (Xheneti et al., 2018). It also shows how modernisation undergoing developing countries not only makes women's work more acceptable but the ability of women to earn an independent income starts to 'define' their own value as members of the family or society more broadly. As Kiran states:

My brother-in-law and his wife lived in Kathmandu. She had received training in tailoring before marriage. She used to work in a tailoring shop and earn some money. When she would come to the village she always taunted me that she is earning money using her skills...This affected me a lot. From that time, I thought of also learning

tailoring and progress ahead of her. I wanted to show her and boast about it... If she had not dominated me I would have never opened this business. So, in a way, I was inspired by her.

The need for women to earn an independent income from their husbands was part of the narrative in other women's stories too. Whilst it is customary for husbands to provide for women, many, talked about being able to use the money from their labour without the interference of their husbands. This not only gave them a level of independence that other women who had chosen not to work did not enjoy but also a sense of self-worth. Kiran, having gained economic independence through her tailoring business captures this increase in status really well when she explains how she now tries to influence other women to work:

I encourage my friends to do some business and be independent. We can earn by living at home. Some say: '*I forgot to ask 300 rupees from my husband*'. I feel pity for them. For such a small amount, they have to depend on their husband.

Engaging in entrepreneurial activities was also considered as a more worthwhile way to spend time rather than wasting human resources in the family even for those women who did not face economic difficulties. They felt the need to 'avoid idleness and gain economic independence' as reasons for engaging in entrepreneurial activities. Anuradha, an educated young woman in her 20s mentions:

I had studied a Hotel Management course at intermediate level which was very expensive. At Bachelor level, I chose different subjects. I lost interest in my studies so I dropped out. But I was left with lots of time on my own with nothing to do. My husband goes to work and I was at home doing nothing. Before getting married I used to help my sister in her clothing store. I used to accompany her to the wholesaler and had observed how she operated. With that experience and after discussion with my father and sister, I decided to open this store to make use of my time.

As importantly, increased income allowed them to follow social traditions such as organising weddings of their children that would be difficult without financial resources. Women expressed these feelings using different words but most commonly *dignity*, *confidence*, *autonomy*, and *increased life aspirations* featured in their accounts. These were consistently related to women being able to carve a place for themselves both as contributors towards family livelihood and as importantly challenging existing preconceptions about whether women could work as well as the significance of their work. The increased life aspirations were primarily

channelled through the future they could provide for their children. Laxmi, who has a training workshop for making teddy bears exemplifies these dynamics particularly well in her account. Having separated from her husband and moved to Kathmandu to earn her livelihood she mentioned:

I have achieved prestige with this business. I have other women working for me who call me 'Madam'. This business is a matter of pride for me as someone who came to a new place [Kathmandu] and who is not educated. My children are with my husband. When I call them, they ask me how many students I have. I feel really good to see that my children are proud of me. As I am earning enough now, I have plans to bring my children to Kathmandu for their further education.

She further adds that she is planning to involve her daughter in the business and teach her the skills in order to make her independent. Similarly, Karuna, who runs a tailoring shop considers her business experience as significant for improving her household position as her husband is very proud of her earned income that gave them the possibility to save his earnings to invest in a property. She stated: "*I have done many different things with hard work but this has given me confidence and dignity*".

However, in most of the cases the ability to use their own earned income was also reflective of the fact that most of these activities only generated minimal income that would primarily be allocated to basic household needs. When the decisions regarded more substantial expenses such as extending the business or re-locating it, women had to negotiate with their husbands or families. The gendered nature of many institutions such as financial institutions that recognised male subjects as the legitimate subjects for signing paperwork or acting as guarantors (see also Xheneti and Thapa Karki, 2018) was also a barrier to women having more recognition about their work. On the one hand, the findings clearly show that within the limits of their circumstances, women's motivations ranged from the urge to do something with their time, to earning a living and having an impact on their families (Kasseeah and Tandrayen-Ragoobur, 2014) particularly with respect to intergenerational sustainability through children's education and their future career.

On the other hand, these all point at empowerment at the individual level by *power within* through increased willingness for change, taking decisions to improve their conditions and those of their families and children through greater access to income (Mayoux, 1998).



However, formal and informal institutions act as significant constraints in empowerment opportunities beyond the individual level of extra income for livelihood purposes or status gain within the family context (Xheneti et al., 2018).

### *Formalization and women empowerment*

Within this context, whilst women expressed these feelings of empowerment at the individual level whether formalized or not, the aim was to understand whether formalization would afford women more equality and empowerment at household and community level should they choose to formalize their business activities. Formalization of informal entrepreneurial activities is predicated on the legitimacy it provides to women as well the opportunities it opens up for increased social interactions; and for what Al-Dajani and Marlow (2013) call ‘increased awareness and knowledge’ that would help women understand and then challenge gender relations in the society. There was a clear pattern amongst women that had been involved in these types of activities for a very long time (over 10 years) - the sustainability of their livelihood was the main purpose of business ownership. This meant that they would not be distracted by activities that were of little benefit to their income generating activities and as importantly, were passive in challenging a number of issues related to why formalization was not an attractive choice for them. This group were not willing to challenge the lack of information or the high registration costs or its complexity but rather continue to bear the risks of informality. Jaya states: *“I don’t have any plans to extend this business. I also do not intend to register. We are illiterate, we don’t know where to do for registration, and we don’t have time to register. If I am unable to run, I will retire”*.

In Nepal, registration is very unpractical, cumbersome and time consuming experience (Suwal and Pant, 2009). Issues such as lack of information on registration, lengthy registration forms, and documentary requirements from various government departments make it a burden for many entrepreneurs independently of gender (IFC, 2014). However, many women face difficulties in completing the registration forms due to their lack of education, while others need to show they own a property or have their husbands or other male family members sign their registration (Khatri-Chetri and Karmacharya, 2003). Given that income was more important for these women there were clear trade-offs they made between inquiring about registration and going through the registration process or staying in their premises waiting to serve their customers. Karuna explained that: *“In order to register, I need to go to the city,*

*which means I have to close my tailor shop. I will miss both my customers and income if I close my shop*". Similarly, Reshma stresses: *"Currently, it [the business] is running fine and sometimes it is even difficult to get enough money to pay the rent so I have not thought about registering"*. For this group of women, formalization could have detrimental impact on both their business's and livelihood's sustainability.

Seven out of thirty participants had aspirations for business growth and sustainability. These women (usually of younger age and better educated) perceived formalization to indeed give them visibility and legitimacy to access wider networks of employees, clients and suppliers leading their business towards growth and sustainability. These participants perceived their engagement in the informal economy as transitory, or a mean of testing their capability and certainty over business survival. Their experience of running the business in the informal economy helped them gain confidence on their abilities, increase market knowledge and develop trust relationships with suppliers and customers. This new confidence, allowed these women to value registration as the next and essential step towards business sustainability suggesting that formalization is an outcome of the empowerment cycle. Maya stated:

I have plans to register my business. It will help me and my business to gain visibility in the area. Once known, I will get more access to the wider network of workers, after which I will get big orders. I will also be able to employ more women in my community.

For this group of women, formalization could also have an impact on their further empowerment at the community level by power *with* increasing networks and by acting as role models for other women (Mayoux, 1998). Maya considered the legitimacy benefits related to formalization including the ability to attract bigger orders with suppliers and gain new skills through interacting with them. She also talked about employing other women thus, contributing to her business's sustainability and also job generation and improved opportunities for other women in her community:

People in my community are happy with me as I have given them the opportunity to earn money from their home in their free time. Some of the parents came to thank me for involving their daughters and daughters-in-law. I think I have brought some change to their lives, although it is not a lot but something is better than nothing.

Formalization also allowed some women to get in touch with other women entrepreneurs as well as extend links with international suppliers. As the business needs were more extensive they participated in training and expressed an increased level of reflection on what their role in the society was and how the government could support them. Aruna considered registration as essential for expanding her business and interacting with like-minded women entrepreneurs in the same sector through participation in various seminars organised for those in the beauty industry. She illustrates how, for her, formalization involved being confident in her own ability to run and manage a sustainable business:

For the initial three years, I did not register my business as I was not sure of its survival and my own capabilities. Later, I registered as I had settled in this business for a long time and I knew it would run more years.

Aruna, however, was determined to make things happen and become the agent for change. Her journey was long and involved enduring discouragement about the business she had chosen - *touching feet, massaging other people and not doing any 'decent work'* – to raising start-up funding through selling the only asset she owned - her jewellery – and launching her beauty parlour. Her case clearly illustrates women's empowerment by power *over* obstacles to change and through enhancing the perceptions of women's capacity and rights (Mayoux, 1998). Overall, the minority of women who registered their businesses for ensuring their growth and sustainability had gone through a cycle of challenging pre-existent notions of women's work, gained confidence on being able to run a business with business registration becoming a natural step towards business growth and expansion to achieve long-term sustainability. These processes opened up a number of opportunities for women to increase their networks, challenge the value of formalization and also think of wider societal and policy-level issues affecting women.

## **Conclusions**

The SDGs have made more prominent the need to find solutions to addressing gender inequalities in our societies in order to ensure women's empowerment. Not surprisingly, developing contexts have been the focus of these debates because of the higher gender gaps in

these countries and the poor (informal) labour market opportunities for women, including through self-employment (ILO, 2014). Extant research has focused on the opportunities for empowerment afforded by income generating activities in the informal economy (Kabeer, 2005; Al-Dajani and Marlow, 2013) with scholars agreeing that women's participation in informal entrepreneurial activities provides them with the confidence needed to initiate change in their's and their families' lives. This paper, however, argued that these accounts fail to fully capture the heterogeneity of women and the constraining effects of socio-cultural norms on the empowerment outcomes of their entrepreneurial activities. This becomes even more evident when exploring whether formalization of women's entrepreneurial activities in the informal economy supports women's sustained empowerment and equality. By focusing on the case of Nepal, a country with an extensive women participation in the informal economy, the paper provides a more nuanced account of the likely empowerment outcomes in the informal economy and the groups of women that can benefit from formalization's knock-on effects on empowerment at different levels.

Like similar studies in the topic (Al-Dajani and Marlow, 2013) empowerment is explored through the link between motivations, life circumstances and empowerment outcomes at the individual, household and community level (Mayoux, 1998), highlighting the socio-cultural factors that explain these connections. The findings identify two issues with regards to women's empowerment through (informal) entrepreneurial activities. First, evidence does suggest that income generating activities apart from the effects they have on poverty reduction and children's education affect women's empowerment at the individual level through increasing confidence levels, autonomy and assertiveness within familial contexts. However, it is also the case that women's livelihood concerns as well as gender norms distract them from seeing themselves other than through their family and nurturing roles.

Most women's choices of sectoral activity were influenced either by social and cultural norms or influential male figures in their households (see also Bushell, 2008; Xheneti et al., 2018). Second, formalization does offer further empowerment opportunities for women who have aspirations to grow as it allows for 'spillages' from the household to the individual and community level. Formalization not only increases women's understanding of their roles and abilities but also integrates them within broader institutional structures. However, this is the case for women of younger age, better educated and with more solid business propositions,

who are able to understand their role in the society and also challenge the regulatory and social institutional structures, in turn, bringing change to their communities.

Overall, while it is certainly the case that women exercise agency within the social constraints and normative expectations of the developing country context, there is a need to further understand what these empowerment outcomes are likely to mean over time and how they can make a substantial change to women's and their families' lives. As empowerment is a process longitudinal research designs would better capture women's behaviour overtime *vis a vis* other changes in the social and normative context as a result of broader modernisations processes these countries undergo (see also Malhotra and Schuler, 2005). From a policy perspective, there is a need for policy approaches to be more sensitive to the diversity of motives women have for engaging in informal entrepreneurship (Williams and Nadin, 2014; Williams and Kedir, 2017), as well as to the wider institutional and social context of their activities. A piecemeal policy approach towards formalization that does not consider other policies to support women through equal access to institutional structures will not only have limited potential but it is most likely to be short-lived.

The evidence suggests a complex link between formalization and empowerment, whereby certain levels of empowerment are necessary before women would consider formalization. The latter would then in turn affect empowerment at other levels such as community or wider. Just as empowerment is a process involving several behaviours and actions over time so should formalization be viewed - a process that involves a number of 'formalizing elements' (Sepulveda and Syrett, 2007). Thus, supporting women with business training, access to networks, finance and other support mechanisms might enhance not only the empowerment outcomes of engagement in informal entrepreneurial activities but also the likelihood of women pursuing formalization and its effects as a pathway to empowerment and the achievement of the SDGs. Overall, the evidence presented in this paper is intended to continue the conversations on the gendered entrepreneurial experiences of women by providing a nuanced account both of the motivations for being engaged in entrepreneurship in developing country contexts (Brush et al., 2009) and also the 'emancipatory' potential (Rindova et al., 2009) of entrepreneurial activities for women. A better understanding of these issues will, in turn, feed into more contextually sensitive policy designs that can make a change to women's lives.

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**Table 1. Participant and enterprise characteristics**

<b>Names</b>	<b>Business Activity</b>	<b>Caste</b>	<b>Residential Status</b>	<b>Age category</b>	<b>Education</b>	<b>Marital Status</b>	<b>Business Operation</b>	<b>Member of women's organisation</b>	<b>Registration Intentions</b>
Sarita	Café	Brahmin	Long-term migrant	41-50	Illiterate	Married	1 - 5 years	No	No intentions
Reshma	Parlour	Brahmin	Long-term migrant	31-40	Lower Secondary	Married	6 - 10 years	Yes	No intentions
Karuna	Tailor	Brahmin	Long-term migrant	31-40	Illiterate	Married	1 - 5 years	Yes	Intentions to register
Maya	Handicrafts (woollen products)	Brahmin	Native	31-40	Secondary	Married	1 - 5 years	No	Intentions to register
Laxmi	Handicrafts (soft toys)	Ethnic caste	Recent Migrant	21-30	Lower Secondary	Separated	10+	No	Intentions to register
Chandra	Food Production	Brahmin	Long-term migrant	41-50	Illiterate	Married	Less than 1 year	Yes	Intentions to register
Sujata	Kitchenware store	Ethnic caste	Long-term migrant	41-50	Higher Secondary	Married	10+	No	Registered
Namrata	Boutique	Brahmin	Long-term migrant	31-40	Secondary	Married	6 - 10 years	Yes	Registered
Aruna	Parlour	Brahmin	Long-term migrant	31-40	Secondary	Married	10+	No	Registered
Hema	Clothing store	Brahmin	Long-term migrant	31-40	Secondary	Married	6 - 10 years	No	Intentions to register
Bandana	Parlour	Brahmin	Recent migrant	31-40	Higher Secondary	Separated	10+	No	Registered

Smriti	Grocery store	Brahmin	Recent migrant	31-40	Primary	Married	Less than 1 year	No	No intentions
Pakriti	Office supplies store	Chettri	Long-term migrant	31-40	Primary	Married	6 - 10 years	No	Registered
Sita	Grocery store	Ethnic caste	Recent migrant	31-40	Secondary	Married	1 - 5 years	No	Registered
Kamala	Parlour	Brahmin	Native	21-30	Lower Secondary	Married	6 - 10 years	Yes	No intentions
Ratna	Tailor	Ethnic caste	Native	31-40	Secondary	Married	10+	Yes	Registered
Kusum	Café	Brahmin	Long-term migrant	31-40	Primary	Married	1 - 5 years	No	No intentions
Sumitra	Pottery	Chettri	Long-term migrant	41-50	Illiterate	Widowed	10+	No	No intentions
Amrita	Food Production	Brahmin	Recent migrant	21-30	Secondary	Married	1 - 5 years	No	Intentions to register
Usha	Café	Chettri	Long-term migrant	41-50	Illiterate	Married	10+	No	No intentions
Jaya	Cow Farm	Ethnic caste	Long-term migrant	>50	Illiterate	Married	10+	Yes	No intentions
Neeta	Cosmetics trade	Chettri	Long-term migrant	31-40	Secondary	Married	10+	Yes	No intentions
Mahima	Tailor	Ethnic caste	Recent migrant	31-40	Secondary	Married	1 - 5 years	No	Intentions to register
Reema	Café	Brahmin	Recent migrant	31-40	Secondary	Married	6 - 10 years	No	No intentions

Sudha	Kitchenware store	Brahmin	Long-term migrant	31-40	Illiterate	Married	1 - 5 years	No	Intentions to register
Aashma	Parlour	Brahmin	Native	31-40	Higher Secondary	Married	10+	No	Intentions to register
Kiran	Tailor	Brahmin	Long-term migrant	31-40	Primary	Married	10+	Yes	No intentions
Anuradha	Clothing store	Ethnic caste	Native	21-30	University	Married	1 - 5 years	No	Intentions to register
Parwati	Tailor	Ethnic caste	Native	31-40	Secondary	Married	6 - 10 years	No	No intentions
Madhu	Café	Ethnic caste	Long-term migrant	41-50	Illiterate	Widowed	6 - 10 years	No	No intentions

Note:

Migration: Recent migrants (less than nine years), long term migrants (more than ten years)

Education classification: Primary (1-5); Lower Secondary (6-8), Secondary (9-10), higher secondary (11-12), University (Bachelor)

Business Partnership: Mostly single founders, apart from Chandra and Madhu who are in partnerships

**Table 2. Motivations for engaging in entrepreneurial activities in the informal economy**

<b>Motivation factor</b>	<b>Number of respondents citing the factor</b>
Avoid idleness	5
Independence	6
Lack of alternatives	7
Earn living	12